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CALIFORNIA RESTAURANT OPERATIONS

Laventhol & Horwath
Certified Public Accountants

1984 Edition

9TH ANNUAL REPORT ON RESTAURANT OPERATIONS IN CALIFORNIA

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COMMENTS FROM AROUND THE STATE

From Los Angeles

Restaurateurs in the greater Los Angeles area report increased customer counts in 1983 compared with 1982 levels, reflecting a general recovery commensurate with the recovery of the national economy. Many operators also indicate that they will continue to use labor efficient techniques as well as emphasize controls over cost of sales.

Single-unit and multi-unit operators are relying more often on computerized point-of-sale and back-office accounting systems to provide timely control of food costs. These systems not only have helped reduce food costs, but have enabled several restaurateurs to reduce food inventories by as much as 50 percent.

Los Angeles area restaurants offer an expanding assortment of products, with many new units focusing on fresh rather than frozen ingredients. On-premise production of menu-support items, such as baked goods and fresh pasta, also has increased.

Operators report a growing demand for health- and diet-oriented items. They also perceive a continuing shift from consumption of distilled liquor to wine, with wine sales by the glass, including premium selections, becoming more popular.

As in other areas of the country, the management expertise and special menus of foreign restaurant chains are exerting a positive influence on Los Angeles restaurants. This trend, also strong in the hotel industry, is expected to continue in the foodservice arena.

David Kinkade
Nancy Moutz
Los Angeles

From San Diego

The San Diego restaurant industry continued to grow in 1983, stimulated by relatively low local labor costs, regular availability of fresh foods and the burgeoning economy. As a result, independent restaurateurs in all San Diego County markets enjoyed success. Considerable restaurant development activity occurring recently in the Hillcrest and Gaslamp Quarter areas has revived dinner business in the downtown sector.

The 800,000-square-foot Horton Plaza Retail Center, adjacent to the Gaslamp Quarter, is currently under construction with plans for several new eating establishments. A large hotel that caters to group meetings has opened near the central business district, featuring a dining pavilion with five different restaurant formats. In addition, efforts are underway to organize a promotional campaign aimed at encouraging more professionals who work downtown to patronize establishments after working hours.

Historically, San Diego's restaurant market has depended heavily on tourism. Recently, there has been a marked trend toward marketing to the local population with restaurant locations and concepts being oriented especially to area businesspersons and other local patrons. This trend should increase overall volume and insulate operators from severe economic fluctuations in the future.

The current and projected high levels of growth in population, income, commercial development and tourism suggest continued and increased demand for all independent and chain-operated eating establishments in San Diego.

Carl Winston
San Diego

From San Francisco

The majority of San Francisco restaurateurs experienced another healthy year in 1983. They are very optimistic about 1984, as the Democratic Convention, All-Star Baseball Game, Super Bowl, "return" of the cable cars, and "spillover" from the Olympic Games in Los Angeles are expected to generate tourism and increase business. A variety of new restaurants opened in the San Francisco Bay area in late 1983 and early 1984 in anticipation of strong summer and future activity.

Restaurateurs have reacted to the growing competition in a variety of ways. Some have directed their efforts toward increased efficiency, for example, commissary concepts, electronic cash register systems and by-product utilization planning. Others have profited from maximizing their revenue through diversification into banquet, catering and retail profit centers. As a result of these efforts, many restaurateurs have increased their profits significantly as well as marketed and promoted their standard product.

According to most operators, the highest percentage of patrons are aged 25 to 45. This age group comprises the most sophisticated and discriminating consumers. Their demand for product value and variety prompted restaurateurs to develop several new concepts including beef, seafood and salad by the ounce; wine by the glass, and all-you-can-eat soup and salad outlets.

Other trends in the Bay area include the return of restaurants specializing in prime rib; increased popularity of gourmet hamburger establishments; the emergence of champagne and oyster bars; slow growth in restaurants offering Mexican food; and a continuing decline in distilled liquor sales. The demand for "California-style" cuisine, still popular in Northern California, has declined slightly. Several restaurants featuring classic French fare, which is regaining popularity, have opened in the past two years.

Historically, foodservice chains have found the Bay area market difficult to penetrate. The competitive nature of this market and the level of consumer sophistication should sustain this trend. San Francisco is expected to maintain its reputation as one of the country's most dynamic foodservice markets as well as a mecca for developing new concepts.

Robert B. Stiles
San Francisco

The California Restaurant Industry—1984

by Randell A. Smith
Research and Development Division

Introduction

This ninth edition of Laventhol & Horwath's *California Restaurant Operations* is based on data supplied by 105 restaurants with fiscal years ended during 1983. With the continued support of California restaurateurs, we make every effort to produce a report that is responsive to their concerns and serves as a valuable management tool.

The financial and operating statistics provided herein may be used as guidelines for comparing the results of an individual operation, and a worksheet is provided on page 19 for this purpose. The reader is cautioned that the results presented here are not intended to be viewed as industry standards; nor are they necessarily attainable or desirable goals.

The explanation of terms on page 18 is included to help familiarize users with the standard definitions used in compiling this study. Additional information concerning the terminology and structure of restaurant accounting, can be found in the *Uniform System of Accounts for Restaurants*, 1983 revised edition, published by the National Restaurant Association, Educational Materials, 311 First Street, N.W., Washington, D.C. 20001, telephone (202) 638-6100.

Bases of analysis

This analysis presents 1983 operating results for the wide variety of California restaurants participating in this year's study. Where noteworthy, reference is made to previous reports so as to enable year-to-year comparisons.

The most common measurements in the foodservice industry are amounts per seat and percentages of total sales. These indices, as well as various productivity statistics, are used extensively throughout the analysis. The figures listed as ratios to total sales are based on total food and beverage sales, with the exception of food costs and beverage costs, which are given as ratios to their respective sales in order to be more useful to restaurant operators. Each line item was analyzed separately. The medians and quartiles, which are provided where appropriate, are based on the information submitted for that line item only, since each of the participating restaurants did not report data for every line.

Most of the figures in this report are medians, with the exception of Chart 1, "The California Restaurant Industry Dollar," in which the numbers presented are weighted means. This chart expresses the absolute value of both the sources and the distribution of the foodservice dollar. The median is the middle value of all responses when the data are arranged sequentially from low to high or vice versa. The use of medians, as opposed to means, is preferred in order to avoid the skewed results that occur when numbers in a particular set are either extremely high or low.

The California restaurant industry dollar

Chart 1 shows the composition of the California restaurant industry dollar during 1983. Food sales accounted for approximately 78 cents of every dollar, a 2.3 percent decrease from the previous year, while beverage sales increased 10.5 percent over last year. Typically, revenue generated from sources other than food and beverage sales is less than 2 percent.

Net income before income taxes rose 14.8 percent for restaurants in this year's study, from 8.1 cents on the dollar in 1982 to 9.3 cents in 1983. This is largely attributable to the significant decline in certain controllable expenses, notably payroll and administrative and general costs. These segments experienced cost reduc-

Chart 1: The California Restaurant Industry Dollar

*Based on the weighted mean. 1982 amounts in parentheses.

Exhibit 1
A Profile of Restaurants Sampled

	Number of Respondents	Percentage of Total
Age:		
Under 5 Years	17	16.5%
5 to 10 Years	24	23.3
Over 10 Years	62	60.2
Type:		
Full Menu—Tableservice	65	62.5
Limited Menu—Tableservice	10	9.6
Other	29	27.9
Sales Volume:		
Under $1 Million	31	29.8
$1 Million–$2 Million	46	44.2
Over $2 Million	27	26.0
Beverages Served:		
Full Liquor Service	70	67.3
Wine and/or Beer Only	25	24.0
No Alcoholic Beverages	9	8.7
Profit:		
Net Income	43	82.7
Net Loss	9	17.3
Menu Theme:		
Steak/Seafood	37	37.4
Continental	21	21.2
American	19	19.2
Other	22	22.2
Location:		
Urban	53	51.5
Suburban	40	38.8
Rural	10	9.7

Characteristics

- Full menu tableservice restaurant more than 10 years old.
- Median sales volume of all respondent was $1.4 million.
- The average size of each participating restaurant was 6,440 square feet, almost 60 percent of which was dining area.
- The median number of seats per restaurant operation in this year's survey was 199 ranging from 8 to 1,025.
- The typical operation earned a profit and offered full liquor service to its patrons.
- Participants in this year's survey were typically company owned and operated and part of a private corporation.

tions of 6.7 percent and 25.1 percent, respectively. A modest increase in food costs was offset by a decrease in beverage costs of 8.5 percent. Employee benefits rose significantly from 1982.

Profile of participants

Exhibit 1 gives the composition of the 1983 Californian restaurant sample. For the first time, the respondents were categorized by menu theme and location. The highlights and characteristics of the entire sample, presented below, provide a profile of the typical restaurant and, used in conjunction with Exhibit 1, may be useful for comparing operating results.

Highlights

- Median food sales per seat were $5,220, while beverage sales were $1,569 per seat in 1983.
- Median food and beverage cost per seat were $2,068 and $357, respectively.
- Income before taxes was $578 per seat or 7.1 percent of total sales.
- Half of all restaurants in this survey reported an average check between $5.75 and $15.35, while the median was $11.93.
- Seat turnover was 2.0 and productivity index was 3.3 during 1983.

Income statements

Ratio to total sales and amount per seat data for participating restaurants are presented in Exhibit 2, analyzed by upper and lower quartiles and medians. The median ratio of food costs to food sales increased slightly from last year, while beverage costs declined from 25 to 24.8 percent. Income before occupation costs as a ratio to total sales remained the same as in 1982, although as an amount per seat it decreased 7.1 percent. Likewise, the median restaurant profit as an amount per seat decreased 24.5 percent when compared with last year's results.

Exhibit 2
Ratio to Total Sales and Amount Per Seat
All Restaurants

	Ratio to Total Sales			Amount Per Seat		
	Lower Quartile	Median	Upper Quartile	Lower Quartile	Median	Upper Quartile
Sales						
Food	71.3%	76.3%	87.7%	$3,965	$5,220	$7,678
Beverage	16.4	25.1	29.7	843	1,569	2,429
Total Sales	100.0%	100.0%	100.0%	$5,195	$7,124	$9,761
Cost of Sales						
Food*	32.0%	37.7%	42.1%	$1,386	$2,068	$2,901
Beverage*	22.2	24.8	28.6	216	357	604
Total Cost of Sales	31.9	35.5	38.1	1,745	2,533	3,432
Total Gross Profit	61.9	64.5	68.1	3,152	4,538	6,306
Other Income	0.2	0.8	2.2	12	38	124
Total Income	62.0	65.1	69.4	3,167	4,544	6,360
Controllable Expenses						
Payroll	21.5	26.5	30.5	1,315	1,783	2,471
Employee Benefits	2.6	4.1	6.3	144	277	508
Direct Operating Expenses	3.6	4.9	8.0	207	310	616
Music & Entertainment	0.1	0.5	1.7	3	27	90
Advertising & Promotion	0.8	1.5	2.5	55	114	228
Utilities	2.0	2.7	3.2	137	184	254
Administrative & General	1.8	3.4	5.8	89	221	598
Repairs & Maintenance	1.3	1.6	2.4	85	140	174
Total Controllable Expenses	39.3	47.5	54.4	2,352	3,135	4,725
Income Before Occupation Costs	11.9	17.9	25.4	676	1,039	1,996
Occupation Costs						
Rent	3.6	5.9	7.5	223	374	641
Property Taxes	0.2	0.4	0.8	11	27	54
Other Taxes	0.1	0.2	0.8	9	15	59
Property Insurance	0.3	0.5	0.9	19	39	71
Income Before Interest & Depreciation	6.2	9.8	17.6	310	667	1,413
Interest	0.3	0.8	2.3	17	61	148
Depreciation	1.3	2.0	3.3	86	142	205
Restaurant Profit	2.1%	6.9%	17.2%	$ 121	$ 544	$1,342

*Ratios based on individual department sales.

Exhibit 3
Average Check*

All Restaurants Reporting	$11.93
Age:	
Under 5 Years	$ 9.74
5 to 10 Years	13.25
Over 10 Years	10.16
Type:	
Full Menu — Tableservice	$13.84
Limited Menu — Tableservice	6.00
Other	5.53
Sales Volume:	
Under $1 Million	$ 7.56
$1 Million-$2 Million	7.84
Over $2 Million	15.35
Beverages Served:	
Full Liquor Service	$13.84
Wine and/or Beer Only	5.86
No Alcoholic Beverages	3.75
Menu Theme:	
Steak/Seafood	$12.10
Continental	15.16
American	12.72
Other	4.23
Location:	
Uran	$12.72
Suburban	11.39
Rural	3.83

*All figures are medians.

Exhibit 4
Sales Per Square Foot*

All Restaurants Reporting	$225
Age:	
Under 5 Years	159
5 to 10 Years	225
Over 10 Years	270
Type:	
Full Menu — Tableservice	250
Limited Menu — Tableservice	300
Other	219
Sales Volume:	
Under $1 Million	158
$1 Million-$2 Million	269
Over $2 Million	303
Beverages Served:	
Full Liquor Service	240
Wine and/or Beer Only	246
No Alcoholic Beverages	150
Location:	
Urban	269
Suburban	254
Rural	$146

*All figures are medians.

Average check

Exhibit 3 presents information on the average check for all responding establishments as well as for selected breakdowns. The highest average checks were reported by operations offering full menus and tableservice, those with full liquor service and restaurants with sales volume greater than $2 million per year. For all categories analyzed, the average check was significantly higher than reported in last year's results.

Sales per square foot

California restaurants realized sales of $225 per square foot in 1983, up 3.2 percent from the figure of $218 in 1982's results. More detailed information, with respect to sales per square foot, is presented for various breakdowns in Exhibit 4. Older facilities reported consistently higher sales per square foot in both 1982 and 1983 than did newer operations. Restaurants with revenues over $2 million had the highest median sales per square foot in this year's study.

Cost of sales

An analysis of the prime cost and its components (cost of food and beverage sales and payroll cost) is presented in Exhibit 5. The median prime cost per dollar of sales for the total sample is 64.8 cents, the same figure reported last year. Steak/seafood restaurants reported the highest total cost of goods sold, primarily as a result of the higher food costs per dollar of sales. Rural establishments reported higher prime cost expenditures in 1983 than they had in 1982. With few exceptions, there was little variation among the various breakdowns analyzed in this exhibit.

Exhibit 5
Cost Per Dollar of Sales*

	Food**	Beverages**	Total Cost of Goods Sold	Total Payroll	Prime Cost
All Restaurants Reporting	37.7¢	24.8¢	35.5¢	30.3¢	64.8¢
Age:					
Under 5 Years	38.6¢	24.0¢	36.2¢	29.4¢	63.5¢
5 to 10 Years	40.2	24.4	37.5	28.0	64.1
Over 10 Years	36.2	25.6	34.9	31.2	66.1
Type:					
Full Menu—Tableservice	38.1¢	24.8¢	34.9¢	30.9¢	64.8¢
Limited Menu—Tableservice	38.6	24.0	36.5	26.7	65.1
Other	33.7	30.0	36.5	29.3	64.5
Sales Volume:					
Under $1 Million	38.6¢	27.8¢	37.1¢	29.4¢	64.5¢
$1 Million–$2 Million	36.9	24.7	34.9	30.5	64.8
Over $2 Million	38.0	24.1	35.1	30.4	64.7
Beverages Served:					
Full Liquor Service	38.1¢	24.6¢	35.1¢	26.7¢	65.3¢
Wine and/or Beer Only	32.2	30.0	36.8	31.2	63.0
No Alcoholic Beverages	32.9	N/A	32.9	34.4	64.5
Menu Theme:					
Steak/Seafood	43.4¢	23.9¢	37.8¢	26.2¢	63.6¢
Continental	36.7	27.3	34.6	34.0	65.2
American	37.0	27.0	35.6	33.8	66.9
Other	31.9	22.9	31.9	30.4	61.9
Location:					
Urban	36.6¢	24.0¢	34.4¢	29.3¢	62.3¢
Suburban	38.6	25.9	37.2	31.2	66.8
Rural	36.5	30.2	36.1	32.7	69.7

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.
N/A — Not applicable.

Employee data

Exhibit 6 illustrates sales per full-time equivalent (FTE) employees in 1983 for the total sample, by type of operation, and by sales volume. This information allows the reader to compare the staffing levels maintained by the various types of restaurants. Limited menu no tableservice operations reported the smallest number of FTE employees per 100 average daily covers (people served per seat), while restaurants with revenues greater than $2 million reported the highest number. Sales per FTE employee were up from 1982, while seat turnover decreased slightly in most categories. Payroll costs increased in all breakdowns, and the productivity index showed little change from last year's analysis.

Special analysis

In Exhibits 7 through 10, amounts per seat and ratios to total sales are presented for income before occupation costs and restaurant profit by using cross tabulations. This analysis provides a more focused look at the operating results of narrower segments of the restaurant industry. The intersection of the appropriate row and column will give the reader the detailed information required. Totals for each category are presented for comparison purposes. The intersection of the last row and last column represents the results of the total sample.

Exhibit 6
Employee Data*

		Type			Sales Volume		
	Total	Full Menu Tableservice	Limited Menu Tableservice	All Others	Under $1 Million	$1 Million $2 Million	Over $2 Million
Number of Employees Per Restaurant							
Full-Time	19.0	22.5	7.0	10.0	6.0	20.0	65.0
Part-Time (20 to 35 Hours)	17.0	17.0	21.0	10.0	10.0	18.0	34.0
Part-Time (Less Than 20 Hours)	10.0	11.0	7.0	4.5	5.0	10.0	11.0
Total	46.0	51.0	38.5	25.0	25.0	48.0	81.0
Full-Time Equivalent Employees							
Total	37.3	45.0	30.0	22.4	19.4	38.3	75.5
Per 100 Restaurant Seats	18.2	21.0	15.5	13.7	14.3	18.2	29.6
Per 100 Average Daily Covers	13.2	14.9	6.6	8.4	12.3	8.7	16.1
Sales Per Full-Time Equivalent Employee	$35,431	$34,245	$40,648	$36,005	$30,480	$36,846	$35,564
Payroll Per Full-Time Equivalent Employee	$11,004	$10,387	$11,681	$11,953	$ 8,497	$11,367	$11,027
Seat Turnover	2.0	1.6	2.3	3.4	1.7	2.7	1.8
Index of Productivity	3.3	3.2	3.7	3.4	3.4	3.3	3.3

*Based on those providing detail. All figures are medians and do not necessarily add to totals shown.

Exhibit 7

**Cross Tabulation of Income Before Occupation Costs—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Menu Theme***

Sales Volume	Amount Per Seat / Ratio to Total Sales	Menu Theme: Steak/ Seafood	Continental	American	Other	Total
	Under $1 Million	$ 818	$ 315	$ 987	$ 928	$ 811
		18.5%	12.0%	22.0%	22.1%	19.7%
	$1 Million–$2 Million	$1,516	$ 674	$1,666	$1,184	$1,181
		20.5%	11.7%	16.7%	17.7%	17.9%
	Over $2 Million	$1,570	$2,146	$1,320	$2,556	$1,674
		12.5%	17.4%	13.8%	24.6%	14.5%
	Total	$1,085	$ 869	$1,320	$1,244	$1,039
		19.2%	12.6%	15.7%	22.1%	17.9%

*All figures are medians.

Exhibit 8

**Cross Tabulation of Restaurant Profit—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Menu Theme***

Sales Volume	Amount Per Seat / Ratio to Total Sales	Menu Theme: Steak/ Seafood	Continental	American	Other	Total
	Under $1 Million	$ 323	$227	$509	[illegible]	[illegible]
		5.9%	5.5%	13.8%	[illegible]	[illegible]
	$1 Million–$2 Million	$1,023	$316	$639	$ [illegible]	[illegible]
		13.8%	4.3%	8.0%	[illegible]	[illegible]
	Over $2 Million	$ 705	$570	$417	[illegible]	[illegible]
		7.3%	4.1%	5.0%	[illegible]	[illegible]
	Total	$ 518	$268	$592	$ [illegible]	[illegible]
		7.6%	4.8%	7.2%	[illegible]	[illegible]

*All figures are medians.

Exhibit 9

**Cross Tabulation of Income Before Occupation Costs—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Location***

Amount Per Seat / Ratio to Total Sales		Location			
		Urban	Suburban	Rural	Total
Sales Volume	Under $1 Million	$1,165 / 23.4%	$ 776 / 17.7%	$785 / 19.9%	$ 811 / 19.7%
	$1 Million–$2 Million	$1,532 / 17.8%	$1,344 / 20.5%	$879 / 13.3%	$1,181 / 17.9%
	Over $2 Million	$2,202 / 17.9%	$1,438 / 13.2%	** / **	$1,674 / 14.5%
	Total	$1,590 / 18.1%	$ 973 / 17.6%	$785 / 16.7%	$1,181 / 17.9%

*All amounts are medians.
**Insufficient response.

Exhibit 10

**Cross Tabulation of Restaurant Profit—
Amount Per Seat and Ratio to Total Sales—
By Sales Volume and Location***

Amount Per Seat / Ratio to Total Sales		Location			
		Urban	Suburban	Rural	Total
Sales Volume	Under $1 Million	$875 / 15.8%	$155 / 2.8%	$219 / 5.6%	$297 / 5.5%
	$1 Million–$2 Million	$503 / 6.2%	$906 / 14.2%	$586 / 9.7%	$592 / 6.9%
	Over $2 Million	$922 / 7.5%	$856 / 8.3%	** / **	$78[illegible] / 7.5%
	Total	$639 / 6.3%	$490 / 8.2%	$362 / 6.6%	$592 / 6.8%

*All amounts are medians.
**Insufficient response.

Summary

Exhibits 11 through 15 present statements of income and expenses by net income differential, age, sales volume, beverages served and type of restaurant. Generally the operating results for 1983 were much better than those reported in last year's study. This is partially attributable to the rebounding U.S. economy, as consumers spent more of their disposable income on meals away from home.

Exhibit 11
Ratio to Total Sales and Amount Per Seat By Net Income Differential*

	Ratio to Total Sales		Amount Per Seat	
	Net Income	Net Loss	Net Income	Net Loss
Sales				
Food	77.0%	71.3%	$6,342	$4,513
Beverage	23.8	29.8	1,809	1,735
Total Sales	100.0	100.0	7,917	6,329
Cost of Sales				
Food**	37.0	38.8	2,376	1,669
Beverage**	25.2	23.9	535	481
Total Cost of Sales	35.6	35.2	2,684	2,073
Total Gross Profit	64.4	64.8	4,915	3,863
Other Income	0.6	0.3	34	16
Total Income	64.9	65.1	4,931	3,863
Controllable Expenses				
Payroll	23.7	31.4	1,958	1,539
Employee Benefits	4.8	5.5	401	203
Direct Operating Expenses	4.3	5.2	284	245
Music & Entertainment	0.7	0.9	34	61
Advertising & Promotion	1.6	1.9	129	113
Utilities	2.3	3.9	162	165
Administrative & General	3.1	6.7	239	578
Repairs & Maintenance	1.6	2.3	122	149
Total Controllable Expenses	44.5	56.0	3,326	3,273
Income Before Occupation Costs	19.8	9.5	1,571	627
Occupation Costs				
Rent	5.4	5.9	348	387
Property Taxes	0.3	0.5	24	23
Other Taxes	0.2	0.5	13	43
Property Insurance	0.5	1.1	37	72
Income Before Interest & Depreciation	12.1	1.5	1,034	101
Interest	0.9	2.9	65	89
Depreciation	1.9	3.7	143	119
Restaurant Profit	9.8%	(1.4)%	$856	$(89)

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 12
Ratio to Total Sales and Amount Per Seat By Age of Restaurant*

	Ratio to Total Sales			Amount Per Seat		
	Under 5 Years	5 to 10 Years	Over 10 Years	Under 5 Years	5 to 10 Years	Over 10 Years
Sales						
Food	77.1%	76.0%	77.0%	$4,289	$4,911	$6,150
Beverage	25.6	24.6	25.1	1,185	1,543	1,809
Total Sales	100.0%	100.0%	100.0%	$5,202	$6,804	$8,169
Cost of Sales						
Food**	38.6%	40.2%	36.2%	$1,705	$2,030	$2,334
Beverage**	24.0	24.4	25.6	323	346	372
Total Cost of Sales	36.2	37.5	34.9	1,770	2,452	2,687
Total Gross Profit	63.8	62.5	65.1	3,515	4,402	5,294
Other Income	2.1	0.6	0.7	65	25	38
Total Income	65.0	63.3	66.5	3,515	4,402	5,294
Controllable Expenses						
Payroll	27.8	23.7	26.8	1,249	1,592	2,082
Employee Benefits	2.9	2.8	5.2	176	235	396
Direct Operating Expenses	4.8	5.4	4.8	212	329	334
Music & Entertainment	0.6	0.9	0.2	63	54	17
Advertising & Promotion	0.9	1.9	1.6	54	118	125
Utilities	2.8	2.7	2.7	159	164	207
Administrative & General	3.3	3.6	3.7	131	208	279
Repairs & Maintenance	1.3	1.5	1.7	66	104	148
Total Controllable Expenses	44.8	45.5	48.7	2,485	2,959	3,384
Income Before Occupation Costs	19.2	19.1	17.4	1,004	1,108	1,499
Occupation Costs						
Rent	6.5	7.1	5.0	305	409	363
Property Taxes	0.8	0.5	0.3	35	39	24
Other Taxes	0.5	0.2	0.2	23	12	15
Property Insurance	0.4	0.5	0.5	20	43	42
Income Before Interest & Depreciation	10.1	8.6	10.5	475	440	862
Interest	2.4	0.5	0.7	123	35	58
Depreciation	3.9	2.0	1.8	164	118	142
Restaurant Profit	1.8%	4.0%	8.7%	$ 76	$ 228	$ 736

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 13
Ratio to Total Sales and Amount Per Seat By Sales Volume*

	Ratio to Total Sales			Amount Per Seat		
	Under $1 Million	$1 Million–$2 Million	Over $2 Million	Under $1 Million	$1 Million–$2 Million	Over $2 Million
Sales						
Food	76.6%	78.6%	75.2%	$3,727	$5,238	$ 8,097
Beverage	25.2	24.2	25.9	774	1,279	2,353
Total Sales	100.0%	100.0%	100.0%	$4,418	$7,147	$10,580
Cost of Sales						
Food**	38.6%	36.9%	38.0%	$1,314	$2,068	$ 2,959
Beverage**	27.8	24.7	24.1	208	325	562
Total Cost of Sales	37.1	34.9	35.1	1,623	2,593	3,523
Total Gross Profit	62.9	65.1	64.9	2,812	4,567	6,664
Other Income	1.9	0.4	0.8	38	34	48
Total Income	64.1	66.1	64.9	2,812	4,626	6,677
Controllable Expenses						
Payroll	26.9	26.7	26.1	1,092	1,795	2,514
Employee Benefits	2.8	4.7	4.3	109	384	459
Direct Operating Expenses	5.0	4.2	6.5	191	265	665
Music & Entertainment	0.5	0.4	0.9	15	21	43
Advertising & Promotion	1.9	1.5	1.5	89	113	130
Utilities	2.8	2.7	2.5	138	185	254
Administrative & General	3.3	3.3	4.3	123	212	608
Repairs & Maintenance	1.5	1.7	1.6	66	142	172
Total Controllable Expenses	44.5	46.4	49.4	2,051	3,067	4,835
Income Before Occupation Costs	19.7	17.9	14.5	811	1,181	1,674
Occupation Costs						
Rent	6.0	6.2	5.3	258	374	526
Property Taxes	0.4	0.4	0.2	12	30	26
Other Taxes	0.5	0.2	0.2	30	13	23
Property Insurance	1.0	0.4	0.6	25	29	63
Income Before Interest & Depreciation	10.5	10.0	8.9	463	770	950
Interest	0.4	0.9	1.8	24	63	169
Depreciation	2.1	1.9	1.7	120	145	153
Restaurant Profit	5.5%	6.8%	7.5%	$ 297	$ 592	$ 781

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.

Exhibit 14
Ratio to Total Sales and Amount Per Seat By Beverages Served*

	Ratio to Total Sales			Amount Per Seat		
	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages	Full Liquor Service	Wine & Beer Only	No Alcoholic Beverages
Sales						
Food	74.1%	88.7%	100.0%	$5,601	$4,949	$5,202
Beverage	25.9	11.3	N/A	1,715	511	N/A
Total Sales	100.0%	100.0%	100.0%	$7,467	$7,000	$5,202
Cost of Sales						
Food***	38.1%	32.2%	32.9%	$2,097	$1,945	$1,770
Beverage***	24.6	30.0	N/A	396	166	N/A
Total Cost of Sales	35.1	36.8	32.9	2,631	2,375	1,770
Total Gross Profit	64.9	63.2	67.1	4,871	4,466	3,497
Other Income	0.4	5.1	0.2	34	177	13
Total Income	65.2	63.5	67.2	4,888	4,466	3,497
Controllable Expenses						
Payroll	26.9	22.1	30.7	2,018	1,499	1,823
Employee Benefits	4.2	3.6	3.7	343	265	222
Direct Operating Expenses	5.4	4.2	4.5	361	257	212
Music & Entertainment	0.9	0.3	N	39	13	1
Advertising & Promotion	1.5	4.2	0.5	114	173	26
Utilities	2.7	2.4	4.1	187	161	238
Administrative & General	4.0	2.0	1.1	291	72	75
Repairs & Maintenance	1.8	1.3	3.0	144	85	169
Total Controllable Expenses	49.1	42.8	44.3	3,427	2,595	2,594
Income Before Occupation Costs	16.5	24.4	22.6	955	1,591	903
Occupation Costs						
Rent	5.8	5.7	6.3	479	273	374
Property Taxes	0.3	0.4	**	24	36	**
Other Taxes	0.2	0.3	0.4	15	15	14
Property Insurance	0.5	0.3	**	45	15	**
Income Before Interest & Depreciation	8.4	14.6	16.7	533	1,047	657
Interest	0.5	0.9	**	53	80	112
Depreciation	1.9	2.1	1.7	128	186	**
Restaurant Profit	5.9%	16.3%	14.2%	$ 362	$1,163	$ 652

*All figures are medians and do not necessarily add to totals shown.
**Insufficient response.
***Ratios based on individual department sales.
N/A — Not applicable.
N — Negligible.

Exhibit 15
Ratio to Total Sales and Amount Per Seat By Type of Restaurant*

	Ratio to Total Sales			Amount Per Seat		
	Full Menu Tableservice	Limited Menu Tableservice	Other	Full Menu Tableservice	Limited Menu Tableservice	Other
Sales						
Food	73.7%	79.4%	99.1%	$5,632	$5,076	$5,018
Beverage	26.3	20.6	10.4	1,816	1,217	443
Total Sales	100.0%	100.0%	100.0%	$7,5[illegible]	$7,392	$6,634
Cost of Sales						
Food**	38.1%	38.6%	33.7%	$2,082	$2,532	$1,900
Beverage**	24.8	24.0	30.0	422	321	117
Total Cost of Sales	34.9	36.5	36.5	2,611	2,837	2,382
Total Gross Profit	65.1	63.5	63.5	4,915	4,380	4,252
Other Income	0.3	0.7	2.9	18	45	105
Total Income	65.2	63.7	64.6	4,931	4,402	4,441
Controllable Expenses						
Payroll	26.9	22.4	26.1	2,017	1,545	1,551
Employee Benefits	4.0	3.9	4.7	282	199	274
Direct Operating Expenses	5.3	4.9	4.5	343	423	243
Music & Entertainment	0.9	0.2	N	53	19	1
Advertising & Promotion	1.5	1.9	1.4	116	189	54
Utilities	2.7	2.1	2.8	188	165	192
Administrative & General	3.8	3.9	1.1	320	206	60
Repairs & Maintenance	1.7	1.1	1.6	147	92	110
Total Controllable Expenses	48.8	42.8	44.5	3,381	2,478	2,685
Income Before Occupation Costs	17.3	20.6	20.6	1,022	1,021	1,244
Occupation Costs						
Rent	6.2	4.5	5.9	498	254	283
Property Taxes	0.3	0.4	0.5	22	36	32
Other Taxes	0.2	0.3	0.3	15	19	14
Property Insurance	0.5	0.7	0.1	43	60	9
Income Before Interest & Depreciation	8.3	15.5	16.7	541	770	994
Interest	0.5	1.2	1.1	46	77	71
Depreciation	1.9	1.8	2.1	143	100	152
Restaurant Profit	4.3%	12.1%	15.6%	$ 294	$ 440	$ 884

*All figures are medians and do not necessarily add to totals shown.
**Ratios based on individual department sales.
N Negligible

EXPLANATION OF TERMS

Median—Lower Quartile—Upper Quartile

In a column arranged in regular sequence from high to low, or vice versa, the median is the middle figure. This means, of course, in the case of operating results that half the restaurants represented had better results than the median and the other half poorer results.

The lower quartile is the dividing point between the lowest quarter and the upper three-quarters of the group. The upper quartile is the dividing point between the highest quarter and the lower three-quarters of the group. Thus, the lower quartile, median and upper quartile divide a series of figures into four equal parts. The results of the middle half of the restaurants fall between the lower and upper quartiles.

Determination of medians and quartiles is based on the information submitted for the line item only.

Food Sales

This category includes revenue derived from the sale of food in the restaurant. Food sales also include the sale of coffee, tea, milk and fruit juices, which usually are served as part of a meal. If no liquor, beer or wine is served, the soft drink sales also would be included in this category.

Beverage Sales

This category includes revenue from the sale of wine, spirits, liqueurs, beer, ale and soft drinks. These sales do not include coffee, tea, milk or fruit juices, which normally are served with meals and, therefore, are considered food.

Payroll

This category includes the regular salaries and wages, extra wages, overtime, vacation pay and any commission or bonus payments made to employees. The entire restaurant payroll generally is included in this category.

Direct Operating Expenses

This category includes expenses directly involved in providing service to the customer. Such things as uniforms, laundry, linen, china and supplies are examples of direct operating expenses.

Advertising and Sales Promotion

This category includes all costs incurred in the maintenance, creation or promotion of sales in the restaurant.

Administrative and General Expenses

This group of expenses is commonly considered "overhead" and includes items that are necessary to the operation of the business rather than those connected directly with the service and comfort of the customer. Examples include office supplies, telephone costs, general insurance and professional fees.

Occupation Costs

These expenses, together with depreciation charges, are the cost of readying the premises for operations. These are sometimes called "fixed charges" since they usually are determined by the financial setup of the restaurant and not by the trend of its business. Rent, taxes, property insurance and interest are occupation costs.

ANALYZE YOUR RESTAURANT

A periodic analysis of your restaurant's financial performance may provide some early warning signs of potential problems. Food costs or payroll may be inching up month by month. Some controllable expenses might be increasing while others are decreasing.

Day-to-day changes in your costs could appear small and might go unnoticed. However, examination on a regular basis could uncover undesirable trends and allow you to take corrective action and control situations that could lead to a crisis. That is the key to effective management.

The worksheet below is designed to help you analyze how well your restaurant is doing in comparison with the rest of the industry.

Follow these simple instructions for completing the worksheet:

1. Enter your financial data in the first column.

2. Compute the percentages for Column Two by dividing the amounts by total sales. (Note: Where food and beverage sales are broken down separately, compute percentage of food cost by dividing cost of food by food sales; for the beverage cost percentage, divide the cost of beverages by beverage sales.)

3. List the appropriate comparative percentages or ratios from this report in Column Three.

4. Compute the variances by dividing the difference between the figures in Column Two and Column Three by the figures in Column Three. Multiply the result by 100 to express the variance as a percentage.

5. If the variance is greater than plus or minus 10 percent, further analysis should be made to determine the reason for that variance.

Worksheet

Complete and Compare Statement of Income and Expenses	Your Figures (Dollars)	Your Figures (% of Sales)	*California Restaurant Industry* Report	Variance + or −
Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Sales	$	%	%	
Cost of Sales				
Food	$	%	%	
Beverage	$	%	%	
Total Cost of Sales	$	%	%	
Total Gross Profit	$	%	%	
Other Income	$	%	%	
Total Income	$	%	%	
Controllable Expenses				
Payroll	$	%	%	
Employee Benefits	$	%	%	
Direct Operating Expenses	$	%	%	
Music & Entertainment	$	%	%	
Advertising & Promotion	$	%	%	
Utilities	$	%	%	
Administrative & General	$	%	%	
Repairs & Maintenance	$	%	%	
Total Controllable Expenses	$	%	%	
Income Before Occupation Costs	$	%	%	
Total Occupation Costs	$	%	%	
Income Before Depreciation	$	%	%	
Depreciation	$	%	%	
Restaurant Profit	$	%	%	

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